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E.O. 12958: DECL: 07/22/2013

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SUBJECT: CANADA: DEPUTY PRIME MINISTER MANLEY DROPS OUT OF LEADERSHIP RACE

Classified By: Political Minister Counselor Brian Flora,
Reasons 1.5 (b) and (d).

¶1. (U) John Manley, Canada's Deputy Prime Minister and Finance Minister, withdrew from the Liberal Party leadership race on July 22, saying that Paul Martin's lead is insurmountable. Manley said that his campaign reviewed party membership lists over the weekend, and determined that it would not have been supported by more than 15-20% of the delegates at party caucus meetings in September. He endorsed Paul Martin's candidacy, saying that Martin will make an excellent Prime Minister.

¶2. (U) Manley said that his campaign had accomplished its mission of putting out his message and ensuring healthy debate in the leadership race. He told reporters that the "numbers aren't there for me this time," an indication that he plans to seek the leadership again in the future. The only other candidate still in the race now is Heritage Minister Sheila Copps, who has a small core of supporters in the left wing of the party.

¶3. (C) Paul Martin is expected to win an overwhelming majority of delegates to the party leadership convention in November, and to take over as Prime Minister some time between then and February. Prime Minister Chretien's staff maintains that he will not be stepping down until February, but he could decide to leave earlier - perhaps after the December 5-8 Commonwealth Summit in Nigeria. Martin is expected to seek his own mandate from the voters by calling a national election in Spring 2004.

¶4. (C) COMMENT: Given the weakness of the opposition parties, the Liberals - Canada's only party that is truly competitive nation-wide at this point - are expected to win again in 2004. Despite Manley's strong performance in the Chretien Cabinet, including his oversight of U.S.-Canada border issues, his candidacy for the party leadership was a long shot from the start. Martin, who served as Chretien's Finance Minister from 1993 until 2002, had a huge advantage in organization and funding, while Manley had little grass roots support outside of Ottawa. Manley also had a difficult time differentiating himself from Martin; both are party centrists who want to keep the budget balanced and improve relations with the U.S. after the strains caused over Iraq.

¶5. (C) COMMENT CONT'D: It is unclear if Martin will keep Manley on in a new government. Manley certainly would not remain as Deputy Prime Minister, nor would he have the vast portfolio he has held over the past year under Chretien. But his early withdrawal from the race and endorsement of Martin increases his chances of being kept on in some capacity.

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